

ADOPTED 2014 BUDGET**DEPT:** EMPLOYEE FRINGE BENEFITS**UNIT NO.** 1950**FUND:** General - 0001

BUDGET SUMMARY				
	2012 Actual	2013 Budget	2014 Budget	2013/2014 Change
Health Benefit Expenditures	\$ 113,308,978	\$ 118,502,180	\$ 119,715,867	\$ 1,213,687
Pension Related Expenditures	64,388,961	66,724,779	65,198,296	(1,526,483)
Other Employee Benefit Expenditures	4,071,264	5,374,214	4,115,407	(1,258,807)
Total Expenditures	\$ 182,140,203	\$ 190,601,173	\$ 189,029,570	\$ (1,571,603)
Total Abatements	(164,573,167)	(173,624,566)	(170,683,428)	2,941,138
Total Direct Revenue	\$ 17,034,901	\$ 16,976,607	\$ 18,346,142	\$ 1,369,535
Total Tax Levy*	\$ 532,135	\$ 0	\$ 0	\$ 0

** = Tax Levy in this Non-Departmental for Employee and Retiree Fringe Benefits is \$0. However, the \$170,683,428 in net costs is allocated out to departments, where the cost is mostly covered with property tax levy. See the chart below:*

ITEM	2014 \$
Gross Employee & Retiree Fringe Benefits, 2014	\$189,029,570
	-
Less, Direct Revenues in Agency 1950	(\$18,346,142)
	=
Amount Allocated to Departments	\$170,683,428
	-
Estimated Revenue Offset at 17%	(\$29,016,183)
	=
Approximate Tax Levy Cost, Employee & Retiree Fringe Benefits:	\$141,667,245

BUDGET HIGHLIGHTS

In March 2007 the County Board of Supervisors adopted a methodology for allocating fringe benefit costs to departmental budgets. In accordance with that methodology, the following costs have been applied to eligible FTEs and salary dollars in departmental budgets for 2014:

Table 2 - Fringe Benefit Costs Per Eligible FTE - 2014 Budget		
	Health Care	Pension % of Salary
Active Employee	\$13,836	10.80%

Fringe benefit costs are segregated into healthcare and pension components. Active healthcare costs are budgeted as a fixed cost per eligible FTE. Healthcare costs include all health benefits and other non-pension related benefits. Active pension costs are calculated as a percent of salary and include all retirement system contributions and debt service on pension notes issued in March 2009. Generally, legacy costs are allocated based on a 3-year average of FTE by department. Because of the allocation method for legacy costs, each department has a different rate for legacy healthcare and legacy pension costs.

For budget presentation purposes, the health and pension costs calculated per FTE remain fixed at these levels throughout the entire budget process. However, to accurately reflect the budgeted expenditures for health and

ADOPTED 2014 BUDGET**DEPT:** EMPLOYEE FRINGE BENEFITS**UNIT NO.** 1950**FUND:** General - 0001

pension costs, each department receives an allocation to either increase or decrease its benefit expenditures as determined by fringe-related expenditures. Actual fringe rates will be determined after the final budget is adopted.

Item	Costs	% of Total
Gross Active Empl. Fringe Benefit Costs	\$89,976,734	48%
Gross Retiree (Legacy) Fringe Benefit Costs	\$99,052,836	52%
TOTAL	\$189,029,570	100%

Healthcare & Dental Expenditures

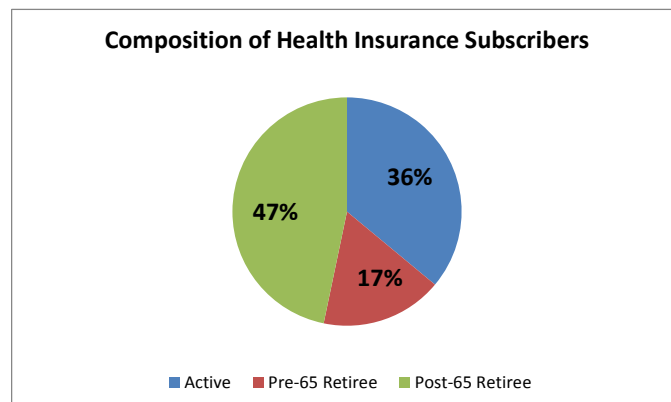
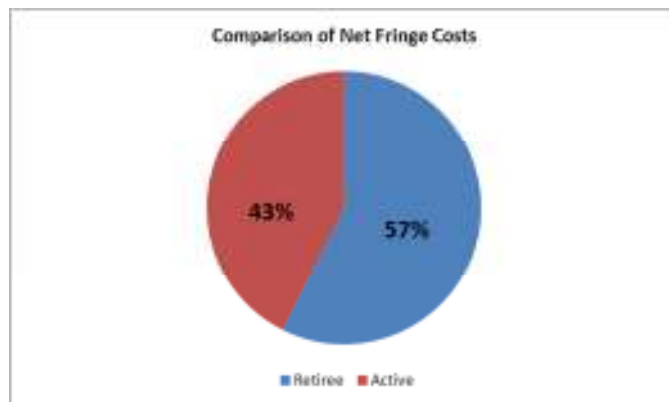
Total net costs for healthcare and dental benefits decrease from 2013 by \$2,766,795, or 2.5 percent in 2014. Projected changes from 2013 to 2014 for healthcare and dental benefits are as follows:

Table 3A - Active Employee Healthcare Expenditures				
Expenditures	2013 Budget	2014 Budget	\$ Change	% Change
Basic Health & Prescription Drug Coverage	\$49,358,829	\$50,219,857	\$861,028	1.7%
Dental Maintenance Organization (DMO)	\$3,379,251	\$2,149,767	(\$1,229,484)	-36.4%
Conventional Dental Plan	\$1,466,440	\$1,436,000	(\$30,440)	-2.1%
Wellness Program	\$904,168	\$400,000	(\$504,168)	-55.8%
FSA Contributions	\$3,691,672	\$1,906,740	(\$1,784,932)	-48.4%
<u>TOTAL Active Employee Health & Dental Cost</u>	<u>\$58,800,360</u>	<u>\$56,112,364</u>	<u>(\$2,687,996)</u>	<u>-4.6%</u>
Revenues				
<u>Employee Health & Dental Contributions</u>	<u>\$6,999,900</u>	<u>\$6,865,254</u>	<u>(\$134,646)</u>	<u>-1.9%</u>
NET Active Employee Health & Dental Cost	\$51,800,460	\$49,247,110	(\$2,553,350)	-4.9%
Table 3B - Retiree Employee Healthcare Expenditures				
Expenditures	2013 Budget	2014 Budget	\$ Change	% Change
Basic Health & Prescription Drug Coverage	\$53,177,202	\$56,817,188	\$3,639,986	6.8%
Medicare Part B Reimbursement	\$6,524,618	\$6,786,315	\$261,697	4.0%
<u>TOTAL Retiree Health & Dental Cost</u>	<u>\$59,701,820</u>	<u>\$63,603,503</u>	<u>\$3,901,683</u>	<u>6.5%</u>
Revenues				
<u>Employee Health & Dental Contributions</u>	<u>\$858,045</u>	<u>\$771,802</u>	<u>(\$86,243)</u>	<u>-10.1%</u>
NET Retiree Health Cost	\$58,843,775	\$62,831,701	\$3,987,926	6.8%
TOTAL Expenditures	\$118,502,180	\$119,715,867	\$1,213,687	1.0%
TOTAL Revenues	\$7,857,945	\$7,637,056	(\$220,889)	-2.8%
NET TOTAL Health Care Costs	\$110,644,235	\$112,078,811	\$1,434,576	1.3%

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001



Basic Health Benefits, Including Major Medical: These costs, which are estimated to total \$107.6 million in 2014 include:

- Medical claims, net of employee deductibles and co-pays;
- Prescription drug claims (net of commercial rebates and Employee Group Waiver (EGWP) reimbursements);
- Payments to United Healthcare to act as third-party administrator;
- Stop loss insurance premiums;
- Prescription Drug administration;
- The Patient-Centered Outcomes Research Institute Fee (PCORI) of approximately \$750,000 under the federal Patient Protection and Affordable Care Act (ACA);
- The Reinsurance Fee required by the federal ACA;
- Flu Shots for employees during the open enrollment period.
- A \$290,000 reduction in health care costs related to the new Value-Based payment program to be implemented by the County's health plan administrator, United Health Care.

The 2014 estimate for health claims is based on 2013 estimated costs provided by the County's health care actuary and the Comptroller's Office plus an assumed inflationary increase. Health claim costs are anticipated to rise to \$70,837,362, an increase of 7.2 percent over the 2013 Adopted Budget. The 2014 estimate for prescription drug costs is also based on 2013 estimates provided by the health care actuary and the Office of the Comptroller. The 2014 estimated gross cost is \$35,125,600, a decrease from the 2013 Adopted budget of 1.5 percent.

Commercial rebates for prescription drugs are estimated to decline from \$4,618,378 to \$3,500,000 due to medications coming off patent, changes in utilization/drug mix changes, and slower rates of inflation in overall prescription drug costs. Revenues from the EGWP program are budgeted at \$4,173,920 based on calculations provided by the health care actuary and on rebates received so far in 2013.

Aside from the changes in rebates for commercial prescription drug coverage and the EGWP program, no savings are budgeted related to plan design changes other than employee premiums (explained below) in 2014. All co pays, co insurance, and deductibles for medical and prescription drug coverage are unchanged from 2013.

Part-time Health Benefits: Due to the possible impact on retention of staff at the Behavioral Health Division during the transition to community-based care, no change is made to health insurance coverage for employees who work less than full-time in 2014. In addition, the Department of Human Resources will be granted permission, via an amendment to the ordinances that will accompany the 2014 budget, to extend health insurance benefits during the 2014 open enrollment period for health insurance which would commence on January 1, 2015 to any

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

employee who works an average of 30 plus hours during the “look-back period” based on the anticipated implementation of the mandate that such individuals be offered health insurance in the ACA.

Dental and Other Healthcare Expenditures and Revenues: The Conventional PPO Plan administered through Delta Dental (Dental PPO Plan) is restructured to provide improved benefits while premiums are increased based on market rates.

The following changes are made to the Dental PPO Plan:

- Annual coverage maximum, not including preventative maintenance, is increased to \$2,500 from \$1,000.
- Adult Orthodontia is now covered, and the lifetime maximum for orthodontia coverage is increased from \$1,500 to \$3,000.
- All other deductibles and co-insurance rates remain unchanged.

The following changes are made to the Care Plus Dental Maintenance Organization (DMO) plan:

- A \$3,000 annual maximum benefit.
- 80 percent coverage of major restorations.
- 75 percent coverage for orthodontics
- Creates deductibles of \$25 for individuals and \$75 for families.

Premiums for single coverage are increased from \$2 per month to \$10 per month, while monthly premiums for family coverage are increased to \$25 per month from \$6. This brings the premium structure in line with the similar plans, where employees generally pay premiums equivalent to 25% of the total cost of the plan. In comparison, premiums for the similar plan offered by the City of Milwaukee to its employees are \$13.58 monthly for single coverage and \$54.36 monthly for family coverage.

	County DMO Plan (2014)	County Conventional (2014)	City of Milwaukee Conventional (2013)	City of Milwaukee Care Plus (2013)	City of Milwaukee Dental Blue (2013)
Single	\$10.00	\$10.00	\$13.58	\$31.56	\$42.58
Family	\$25.00	\$25.00	\$54.36	\$93.84	\$129.22

Appropriations for dental insurance costs total \$3,585,767, with revenues from employee premiums budgeted at \$994,809.

Wellness and Disease Management Program: The 2013 Adopted Budget provided for a wellness and disease management program that was funded with one-time revenues from the Debt Service Reserve Fund. In 2013, the Department of Human Resources issued a Request for Proposals (RFP) and intends to award a contract for a third party administrator to operate the plan, which will provide comprehensive health assessments and coaching beginning in 2014. Based on the terms of the RFP response that was recommended by the review panel, and based on a conservative participation estimate, funding of \$400,000 is provided in 2014 for the countywide wellness program. To provide an incentive to employees to participate in this program, a reduction in monthly premium costs of \$50 will be provided to all employees who sign up for the plan, effective in April 2014. See the premium structure section below for additional information about health insurance premiums.

Flexible Spending Account (FSA) Contribution: The County's contribution to active employee FSAs is restructured in 2014 for an expenditure reduction of \$1,784,932 from the 2013 Adopted Budget. To comply with provisions of the Affordable Care Act, the County's policy of providing contributions to active employee's FSAs to help offset out-of-pocket medical expenses is restructured as a matching contribution program for 2014. All employees eligible to participate in the FSA program will be eligible to have their self-directed contributions to

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950

FUND: General - 0001

their FSA account matched dollar-for-dollar by the County up to a \$1,200 limit. For example, if an employee contributed \$500 of their own pre-tax salary to their FSA, the County will match it with a \$500 contribution for a total of \$1,000 to pay eligible expenses. Federal regulations require that all FSA contributions (from either the employee or employer) must be expended within the allotted time period or be forfeited under "use it or lose it" rules.

Medicare Part B Reimbursement: Medicare Part B reimbursement continues for all employees eligible to receive the reimbursement. The anticipated reimbursement is budgeted based off of three percent trend of the current year estimate, for a total budgeted amount of \$6,786,315.

Employee Opt-Out: Employees who opt out of health insurance coverage will continue to receive a one-time payment of \$500 annually. This policy is unchanged from 2013.

Employee and Retiree Healthcare Contributions: Health insurance premiums remain budgeted in a four-tier premium system, and will include a \$50 monthly credit for employees who participate in the wellness program as described above. The premium structure, including the wellness program incentive, is show below:

Tier	Monthly Premium - Wellness Program Non-Participant	Monthly Premium - Wellness Program Participant
Employee Only	\$130.00	\$80.00
Employee + Child(ren)	\$150.00	\$100.00
Employee + Spouse	\$210.00	\$160.00
Employee + Family	\$230.00	\$180.00

The monthly premiums, co-insurance, deductibles, out-of-pocket maximums and flexible spending account contributions for health and prescription drug coverage are all factors in the healthcare plan design. The cost to the employer and employee are determined by examining all factors, not just one element. A comprehensive overview of the 2014 healthcare plans offered to its employees by the State of Wisconsin, City of Milwaukee and Milwaukee County is shown in the chart below.

ADOPTED 2014 BUDGET**DEPT:** EMPLOYEE FRINGE BENEFITS**UNIT NO.** 1950**FUND:** General - 0001

Comparison of 2014 Healthcare Plans			
	Milwaukee County	State of Wisconsin	City of Milwaukee
Deductibles			
Employee Only Deductible	\$800	\$0	\$500
Emp. + Child(ren)	\$1,050	\$0	\$1,000
Emp. + Spouse	\$1,600	\$0	\$1,000
Family Deductible	\$1,850	\$0	\$1,000
Copayments/Coinsurance			
Office Copay	\$30	\$0	\$0
Outpatient coinsurance	20%	10%	10%
Inpatient coinsurance	20%	10%	10%
Emergency Room	\$200	\$75	10%
Prescription (Rx) Drugs			
Generic RX Copay	\$10	\$5	\$5
Preferred Brand Rx	\$30	\$15	\$25
Non-Preferred Brand Rx	\$50	\$35	\$50
Mail Generic	\$25	\$5	\$10
Mail Preferred	\$75	\$15	\$50
Mail Non-Preferred	\$125	\$35	\$100
Single Out-of-Pocket Max	\$2,500	\$500	\$1,000
Family Out-of-Pocket Max	\$5,000	\$1,000	\$2,000
Monthly Premiums			
Single Premium	\$130	\$88	\$75
EE + Child(ren) Premium	\$150	\$219	\$112
EE + Spouse Premium	\$210	\$219	\$149
EE + Family Premium	\$230	\$219	\$224
Wellness Credit	\$50 per month	\$0	\$0
Flexible Spending Account (FSA) Contributions	Match up to \$1,200	\$0	\$0
Notes:			
1) State Prescription Drug Out-of-Pocket Max of \$410 single/\$820 family			
2) State and City Plans apply ten percent coinsurance up to out-of-pocket maximum.			
3) City Charges participants between \$10 to \$60 per month if they fail to participate in Wellness Program.			

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Patient Protection and Affordable Care Act: Federal health insurance exchanges became operational on October 1, 2013. Preliminary comparisons with exchange health plan models suggest that the County may save healthcare costs by utilizing the exchange.

Once the details related to plan coverage and costs are made public, the Employees Benefits Workgroup, which is comprised of representatives from the Department of Administrative Services – Office of Performance, Strategy and Budget (PSB), Office of the Comptroller, the Department of Human Resources, Corporation Counsel, County Board staff and outside groups with specific expertise (such as actuarial, financial, and legal), will analyze health insurance models based on examining the merits and challenges of transitioning away from the existing self-funded healthcare plan and into the exchange. The Workgroup will provide regular updates to policymakers and make recommendations on the merits of using the exchanges after a thorough cost-benefit analysis has been performed.

Pension-Related Expenditures

Total net budgeted pension-related expenditures decrease by \$3,098,520 in 2014 to \$55,503,704. Projected changes from 2012 to 2013 for pension benefits are as follows:

Pension Expenditures						
		2013	2014	2014/2013	Percent	
		Budget	Budget	Change	Change	
1	Mandatory Annuity Contribution	\$ 17,700	\$ 17,700	\$ 0	0.0%	
2	OBRA Contribution	360,000	440,000	80,000	22.2%	
3	Employees' Retirement System Normal Cost	14,996,000	16,669,000	1,673,000	11.2%	
4	Amortization of the Unfunded Actuarial Accrued Liability	15,586,000	12,388,000	(3,198,000)	-20.5%	
5	Stabilization Fund Contribution	0	0	0	0.0%	
6	Debt Service on Pension Notes Issued 3/2009	33,659,079	33,066,596	(592,483)	-1.8%	
7	Miscellaneous Pension-Related Expenditures (Doyle)	2,106,000	2,617,000	511,000	24.3%	
8	Total Pension-Related Expenditures	\$ 66,724,779	\$ 65,198,296	\$ (1,526,483)	-2.3%	
9	Pension-Related Revenue (Doyle)	\$ 170,000	\$ 170,000	\$ 0	0.0%	
10	Employee Retirement Contribution	7,863,762	9,474,592	1,610,830	20.5%	
11	Employee Retirement Contribution (State Employees)	88,794	50,000	(38,794)	-43.7%	
12	Total Pension-Related Revenues	8,122,556	9,694,592	1,572,037	19.4%	
	Total Pension-Related Cost	\$ 58,602,224	\$ 55,503,704	\$ (3,098,520)	-5.3%	

Mandatory Annuity Contribution: While the Employee Retirement System Employees' Retirement System of Milwaukee County (the "ERS") is substantially non-contributory, participants meeting certain criteria have the option to contribute to membership accounts. The County also contributes to the membership accounts of most employee participants enrolled prior to January 1, 1971. The total budgeted contribution for the 2013 mandatory annuity contribution is \$17,700 (Pension expenditures table, Line 1).

OBRA: The 1990 Retirement System of the County of Milwaukee ("OBRA") covers seasonal and certain temporary employees who do not elect to enroll in the ERS. OBRA members are immediately vested and earn a benefit equal to two percent of their covered salary for each year of OBRA service. Pursuant to the most recent actuarial valuation dated January 1, 2013, the 2014 contribution to OBRA is budgeted at \$440,000 (Pension expenditures table 4, Line 2).

Employees' Retirement System: The 2014 Budget fully funds the County's required contributions to the pension fund and the debt service related to the pension obligation bonds. The 2013 budgeted amount of \$62,123,596 for the County's contribution to ERS includes normal costs of \$16,669,000 (Pension expenditures table, Line 3), an unfunded actuarial accrued liability cost of \$12,388,000 (Pension expenditures

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950

FUND: General - 0001

table, Line 4) and debt service costs of \$33,066,596 (Pension expenditures table, Line 6) based on the 2013 actuarial valuation.

Stabilization Fund Contribution: In March of 2009 the County issued \$400,000,000 in pension notes to fund a portion of the unfunded actuarial accrued liability ("UAAL"). The County structured its issuance to provide level debt service for 25 years on the notes and also provided the ability to contribute \$2,000,000 for the Stabilization Fund. No contribution is made in 2014.

Doyne Employees: In 1989, United Regional Medical Services was formed as a joint venture of Froedtert Hospital and Doyne Hospital for laboratory and radiology services. As part of the joint venture agreement, the County was required to pay the ongoing pension-related expenses for Doyne employees shifted to the United Regional Medical Services. The 2014 Budget includes \$2,617,000 in expenditures for these pension-related expenses, which is offset by an estimated \$170,000 (Pension expenditures table, Line 9) in revenue based on 2012 actuals.

Employee Retirement Contribution: The State of Wisconsin adopted State Statute section 59.875 as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one-half of the actuarially required contribution of the Employee Retirement System. Pursuant to File No. ORD 11-8 adopted on July 28, 2011, the employee pension contribution for 2014 will be set through the budget resolution. The contribution revenues are based on the 2013 actuarial revenues, adjusted slightly downward for public safety positions based on reductions in the 2014 budget. The employee contribution rates, as a percentage of salary, are shown for 2014 and 2013 below:

Group	2014 Rate	2013 Rate
Public Safety	5.2%	5.4%
General	5.1%	4.4%

*Because the County has not yet reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2014, the budget assumes that members of the DSA will contribute 5.2 percent and that members of the Milwaukee County Fire Fighters Association will contribute 0 percent.

Voluntary Transition to Defined Contribution System:

The Employee Benefits Workgroup will reexamine a previous analysis to investigate the possibility of providing employees the choice of whether to remain in the existing defined benefit pension system or to "opt out" and join a defined contribution (401K-style) pension system with the possibility of a match to the employee's account by the County.

Former County Employees Transferred to the State for Income Maintenance and Child Care: Certain employees were transferred from County employment to State employment and were allowed to stay in the County's Employees' Retirement System or to transfer to the Wisconsin Retirement System (WRS). The normal cost associated with those employees who remained in the County's ERS, but were not yet vested, is paid by the State. Therefore, the 2014 Budget includes a reimbursement from the State in the amount of \$50,000 (Pension expenditures table, Line 11).

Other Employee Benefits Expenditures

Group Life Insurance: The group life insurance appropriation is based on the amount of coverage that is determined by an employee's salary. For 2014, \$2,718,473 is budgeted for the cost of group life insurance. Revenues from employee and retiree contributions are budgeted at \$910,738.

ADOPTED 2014 BUDGET

DEPT: EMPLOYEE FRINGE BENEFITS

UNIT NO. 1950
FUND: General - 0001

Corporate Transit Pass Program: An expenditure of \$575,943 is budgeted for the County's corporate transit pass program based the 2013 current year projection, offset by employee contributions for an estimated revenue offset of \$87,035.

Miscellaneous Expenditures

Professional Services: An expenditure appropriation of \$250,000 is included to retain outside consultants, actuaries, and other professional services to assist staff in actuarial analysis, ad hoc reporting, request for proposals preparation, contract and rate negotiations, annual enrollment processing and other areas where additional expertise in healthcare advisory services may be needed, including for the Employee Benefits Work Group.

Cost Allocation Plan Expenditure: Also included in 2013 is an appropriation of \$570,991 for the Department of Human Resources - Employee Benefits Division portion of the 2013 Cost Allocation Plan. Previously included in the Central Service Allocation, this amount is now included in this budget, and reflected as an expenditure and abatement similar to the Central Service Allocation plan. The total amount budgeted is the 2011 actual amount.

Five-Year History of Expenditures and Revenues

Table 5 - Five-Year History of Expenditures and Revenues					
	2010 - Actual	2011 - Actual	2012 - Actual	2013 - Adopted	2014 - Budget
Health Benefit Expenditures	132,619,138	\$ 137,426,087	\$ \$113,308,978	\$ 118,502,180	\$ 119,715,867
Pension Related Expenditures	66,384,489	64,738,388	\$64,388,961	66,724,779	65,198,296
Employee Group Life Insurance	2,460,489	2,666,400	\$2,515,510	2,976,171	2,718,473
Other Employee Benefits Expenditures	1,355,543	1,591,956	\$1,926,754	2,398,043	1,396,934
Total Fringe Benefit Expenditures	202,819,659	\$ 209,773,431	\$ \$182,140,203	\$ 190,601,173	\$ 189,029,570
Revenues (All Sources)					
Total Revenues (All Sources)	6,210,982	\$ 9,964,393	\$ \$17,034,901	\$ 16,976,607	\$ 18,346,142

Wage and Benefit Expenditures

Wage Increase: The 2014 Budget includes a base wage increase of 1.0 percent for all employees beginning on April 13, 2014 (pay period 10).

Step Increases: Except for employees in the Milwaukee County Deputy Sheriff's Association and the Milwaukee County Firefighters Association, all step increases are suspended in 2014. This action is due to the comprehensive analysis of pay practices, including pay ranges and associated steps by the Department of Human Resources. The Department of Human Resources shall provide regular updates to the County Board and make any recommendations for changes to pay policies for approval by policymakers.